

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 TRSE-00 EA-07 L-03 CIAE-00

INR-07 NSAE-00 AID-05 (ISO) W

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R 191845Z NOV 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2605

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E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: REQUEST FOR RELEASE OF BLOCKED VIETNAMESE FUNDS

REFS: A. BRASILIA 5139; B. STATE 145856; C. STATE 187816

1. SUMMARY: ALGERIAN EMBASSY IN BRASILIA IS REQUESTING THE UNBLICKING OF FUNDS FROM THE BLOCKED DOLLAR ACCOUNT OF THE FORMER SOUTH VIETNAMESE GOVERNMENT IN ORDER TO CLOSE DOWN VIETNAMESE DIPLOMATIC MISSION. PART OF ALGERIAN REQUEST SEEMS TO US TO GO BEYOND BOUNDS OF LEGITIMATE CLOSING EXPENSES. WE LEAVE FINAL DECISION TO JUDGMENT OF INTERESTED WASHINGTON AGENCIES. END SUMMARY.

2. WITH THE SEVERANCE OF DIPLOMATIC RELATIONS BETWEEN BRAZIL AND THE SOUTH VIETNAMESE GOVERNMENT ON THE HEELS OF THE LATTER'S DOWNFALL, THE BRAZILIAN GOVERNMENT AUTHORIZED THE LOCAL ALGERIAN EMBASSY TO REPRESENT THE INTERESTES OF THE NEW SOUTH VIETNAMESE GOVERNMENT, INCLUDING THE ASSUMPTION OF ALL ASSETS AND LIABILITIES INCURRED BY THE PREVIOUS VIETNAMESE DIPLOMATIC MISSION. WHEN THE LOCAL BRANCH OF FIRST NATIONAL CITY BANK, WHICH HELD THE DOLLAR AND CRUZEIRO ACCOUNTS OF THE SOUTH VIETNAMESE EMBASSY, RECEIVED OFFICIAL NOTIFICATION FROM THE MINISTRY OF EXTERNAL RELATIONS OF THIS RE-ASSIGNMENT OF RESPONSIBILITY, IT NOTIFIED US AND THE FORMER VIETNAMESE DIPLOMATS THAT, UNDER BRAZILIAN LAW, LIMITED OFFICIAL USE

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IT WOULD HENCEFORTH BE REQUIRED TO ACCEPT WITHDRAWALS

FROM THE DOLLAR ACCOUNT ONLY FROM THE ALGERIAN EMBASSY. FOLLOWING GUIDANCE IN REFTEL B, WE THEN CONTACTED THE LOCAL ALGERIAN EMBASSY, EXPLAINING OUR REGULATIONS WITH RESPECT TO BLOCKED DOLLAR ACCOUNTS AND OFFERING OUR ASSISTANCE IN GETTING FUNDS RELEASED TO PAY CLOSING EXPENSES FOR THE FORMER SOUTH VIETNAMESE EMBASSY. AS WAS POINTED OUT IN REFTEL A, THE ORIGINAL ALGERIAN EMBASSY REACTION WAS VERY NEGATIVE. THEIR MINISTER-COUNSELOR STATED THAT HE WAS NOT PREPARED TO TAKE ON LIABILITIES INCURRED BY THE FORMER MISSION, AND SAID "IF THE ACCOUNT IS BLOCKED IT IS BLOCKED". THE ALGERIAN MINISTER-COUNSELOR DID INDICATE AT THE TIME, HOWEVER, THAT A FINAL DECISION WOULD HAVE TO AWAIT INSTRUCTIONS FROM ALGIERS:

3. ON OCTOBER 15, THE FINATT RECEIVED A CALL FROM THE ALGERIAN EMBASSY (AGAIN FROM THE MINISTER-COUNSELOR) ASKING FOR INFORMATION ON HOW TO OBTAIN RELEASE OF BLOCKED DOLLAR FUNDS SINCE HE HAD RECEIVED INSTRUCTIONS FROM ALGIERS TO CLOSE DOWN THE FORMER CHANCERY, TO RELEASE THE RESIDENCE AND TO RETURN THE ARCHIVES OF THE FORMER MISSION TO SOUTH VIETNAM. THE FINATT EXPLAINED, IN DETAIL, THE TREASURY'S REGULATIONS, PARTICULARLY THE RESTRICTION THAT FUNDS CAN ONLY BE UNBLOCKED FOR DEBTS INCURRED BY THE FORMER MISSION.

4. ON NOVEMBER 17, THE ALGERIAN MINISTER-COUNSELOR VISITED THE FINATT AND PRESENTED A LIST OF OUTSTANDING DEBTS. AFTER LOOKING OVER THE LIST, THE FINATT NOTED THAT IT INCLUDED RENTAL EXPENSES UP TO OCTOBER FOR BOTH THE CHANCERY AND THE OFFICIAL RESIDENCE AND SAID THAT THIS SEEMED TO BE STRETCHING THE DEFINITION OF "LEGITIMATE EXPENSES INCURRED IN CONNECTION WITH THE CLOSING DOWN OF THE FORMER REPRESENTATION," AS STIPULATED BY TREASURY REGULATIONS. THE ALGERIAN REPLIED THAT THE DELAY IN CLOSING DOWN THE MISSION WAS CAUSED BY THE BLOCKING ACTION OF THE TREASURY AND THAT HE AND HIS AMBASSADOR FELT THAT THE U.S. GOVERNMENT WOULD NOT WISH TO MAKE AN ISSUE OVER SUCH A "PIDDLING" SUM. THE FINATT POINTED OUT THAT WE HAVE VERY SPECIFIC REGULATIONS LIMITED OFFICIAL USE

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GOVERNING THE UNBLOCKING OF SUCH FUNDS AND REMINDED HIM THAT THE ALGERIAN EMBASSY HAD BEEN APPROACHED LAST JUNE WITH AN OFFER OF ASSISTANCE TO HELP SETTLE THIS MATTER. THE MINISTER-COUNSELOR SIMPLY REPLIED THAT AT THAT TIME HE HAD NO INSTRUCTIONS. FINATT PROMISED TO SUBMIT THE LIST OF OUTSTANDING DEBTS TO WASHINGTON FOR THEIR REVIEW AND ACTION.

5. IN CONNECTION WITH DELAY TWO THINGS MUST BE MENTIONED:
 (A) BRAZILIAN RENTAL CONTRACTS USUALLY INCLUDE A CLAUSE WHICH
 REQUIRES THAT A NINETY-DAY NOTICE BE GRANTED BEFORE VACATING
 PREMISES: THE ALGERIAN CONFIRMED THAT THIS WAS TRUE
 WITH THE CONTRACT ON THE CHANCERY AND THE OFFICIAL
 RESIDENCE: WE DO NOT REPT NOT BELIEVE,
 GIVEN THE CIRCUMSTANCES UNDER WHICH THE RENTAL
 CONTRACTS WERE BROKEN, THAT THE NINETY-DAY CLAUSE WOULD
 BE ENFORCEABLE BEFORE THE COURTS: AND (B) THE PREMISES
 WERE NEVER UTILIZED BY THE ALGERIAN EMBASSY: THEY
 REMAINED CLOSED SINCE BRAZIL NEVER ESTABLISHED RELATIONS
 WITH THE NEW SOUTH VIETNAMESE GOVERNMENT.

6. FOLLOWING IS A BREAKDOWN OF THE DEBTS, DENOMINATED
 IN CRUZEIROS AND DOLLARS, AS SUBMITTED BY THE ALGERIAN
 EMBASSY (ORIGINAL COPY, IN FRENCH, IS BEING TRANSMITTED
 TO ARA/BR):

RENTS	CRUZEIROS	DOLLARS
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CHANCERY

MAY-JUNE (3,960)	7,920.00
JUL-9:5 (4,758)	19,032.00

RESIDENCE

MAY-JUL (4,560)	13,680.00
AUG-OCT 20 (6,384)	17,024.00

OTHER	CRUZEIROS	DOLLARS
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TELEPHONE	1,756.73
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MAIL SERVICE	629.25
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WATER/SEWAGE	877.00
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ELECTRICITY	1,734.63
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SALARIES/BRAZILIANS

DOLLAR-DENOMINATED	1,680.63
CRUZEIRO-DENOMINATED	3,220.00

I.N.P.S.	2,850.00
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DUTY FREE PRODUCTS

USED BY EMBASSY	1,231.50
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EXPENSES INCURRED BY
MINISTRY OF FOREIGN
RELATIONS IN THE
RECOVERY OF OFFICIAL
VEHICLE WHICH HAD
BEEN SOLD BY FORMER
DIPLOMAT 5,468.50

TOTAL 75,423.61 1,680.63

7. AT THE PRESENT CRUZEIRO/DOLLAR RATE OF 8.725 THE
DOLLAR EQUIVALENT OF 75,423.61 IS \$8,644.54.
INCLUDING THE DOLLAR-DENOMINATED LIABILITY OF \$1,680.63.
THE TOTAL DOLLAR AMOUNT OF THESE DEBTS IS \$10,325.17.
COMMENT: ON THE BASIS OF THEIR EXPERIENCE WITH CLOSING OF
SOUTH VIETNAMESE EMBASSIES ELSEWHERE, EMBASSY REQUESTS
VIEWS OF DEPARTMENT AND TREASURY AS TO WHAT PORTION OF
EXPENSES COULD QUALIFY FOR RELEASE FROM BLOCKED ACCOUNT.
CRIMMINS

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